

ANNUAL
REPORT

1973

NOTICE OF MEETING
INFORMATION CIRCULAR

C
HIMO
GOLD MINES
L I M I T E D

FOR THE YEAR ENDED DECEMBER 31, 1973



DIRECTORS

M. P. CONNELL - - - - - Toronto, Ontario
C. R. ELLIOTT - - - - - Bowmanville, Ontario
I. F. T. KENNEDY - - - - - Toronto, Ontario
J. C. LAMACRAFT - - - - - Toronto, Ontario
A. C. MOSHER - - - - - Toronto, Ontario

OFFICERS

M. P. CONNELL - - - - - President
I. F. T. KENNEDY - - - - - Vice-President
D. B. MacDERMOTT - - - - - Secretary
J. C. LAMACRAFT - - - - - Treasurer
J. R. SCRIMGER - - - - - Assistant Secretary

HEAD OFFICE

TENTH FLOOR, 85 RICHMOND STREET WEST
Toronto, Ontario

TRANSFER AGENT AND REGISTRAR

NATIONAL TRUST COMPANY, LIMITED
Toronto, Ontario

AUDITORS

RIDDELL, STEAD & Co.
Toronto, Ontario

BANKERS

THE ROYAL BANK OF CANADA
Toronto, Ontario

SOLICITOR

D. B. MACDERMOTT
Toronto, Ontario

ANNUAL MEETING

June 20, 1974, 2:30 P.M.
Tudor Room, Royal York Hotel
Toronto, Ontario



Chimo Gold Mines Limited

Tenth Floor
85 Richmond Street West
Toronto, Ontario
M5H 2G1

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the Shareholders:

Notice is hereby given that the Annual Meeting of the Shareholders of Chimo Gold Mines Limited will be held at the Tudor Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, Thursday, June 20, 1974, at the hour of 2:30 o'clock in the afternoon (Toronto time), for the following purposes:—

1. To receive the annual report of the directors.
2. To receive the financial statements of the Corporation for the year ended December 31, 1973, together with the auditors' report thereon.
3. To elect directors.
4. To appoint auditors and to authorize the directors to fix their remuneration.
5. To transact such other business as may properly come before the meeting.

By order of the Board of Directors,

D. B. MacDERMOTT,
Secretary.

Dated May 29, 1974.
Toronto, Ontario.

See Pages 10 to 12 for Information Circular

Chimo Gold Mines Limited

Report of the Directors

To the Shareholders,
Chimo Gold Mines Limited,

Your directors submit herewith for your consideration the audited financial statements of the Corporation for the year ended December 31, 1973.

Income received from the Iron Bay Trust in 1973 amounted to \$281,700. and was derived from a royalty on production of iron ore pellets from The Steel Company of Canada's Griffith Mine, located near Red Lake, Province of Ontario. The lease agreement between the Iron Bay Trust and Stelco provides for escalation of the royalty rate proportionately with increases in the price of iron ore pellets. During 1973 the royalty rate was increased from 46.2 to 47.6 cents per ton and effective May 1, 1974 the royalty rate was further increased to 56.4 cents per ton. The cumulative royalty rate increase since production commenced in March 1968 to May 1, 1974 has been 40.9%. As the Corporation owns 1,000,000 units of the Trust, the royalties provide a firm base for the Corporation's exploration programmes.

The Corporation retains a controlling interest in 165 claims in the Sturgeon Lake area, Province of Ontario, having terminated its participation in 92 claims in the area in 1973. Exploration work to date has included ground and airborne geophysics, geological reconnaissance, prospecting and diamond drilling. The remaining claims cover the southwestern end of Sturgeon Lake. These claims were reflowed in early November, 1973 as part of a larger survey utilizing the Barringer Air Trace System. The results of this survey were inconclusive. Two diamond drill holes totalling 936 feet were completed in late February, 1974 to test two anomalies detected by an induced polarization survey carried out in early 1973. Hole 74-1 intersected 115 feet of disseminated magnetite in an ultrabasic sill. Hole 74-2 intersected an 80 foot section of pyritic

tuffs. Both intersections adequately explained the anomalous I.P. response. No further work is contemplated on the claims at this time.

GENERAL EXPLORATION

During the year, Conwest and its associates (the Conwest Group) participated in exploration expenditures as follows:

Conwest Group	
Conwest Exploration	
Company Limited	\$1,105,900.
Central Patricia Gold	
Mines Limited	45,000.
Chimo Gold Mines Limited ..	350,600.
Calmor Iron Bay Mines	
Limited	192,600.
	<u>\$1,694,100.</u>
Expenditures by others on	
projects in which the	
Conwest Group	
participated	\$ 305,900.
Total Exploration Exposure ..	<u>\$2,000,000.</u>

The joint exploration agreement between Conwest, Central Patricia Gold Mines Limited, Chimo Gold Mines Limited and Calmor Iron Bay Mines Limited, which came into effect January 1, 1972, sets out the terms of participation with Conwest in mineral exploration initiated after that date. All exploration costs related thereto and the interests earned are shared in the following proportions:—

Conwest Exploration	} combined	66⅔ %
Company Limited		
Central Patricia Gold Mines Limited		
Chimo Gold Mines Limited		20%
Calmor Iron Bay Mines Limited ..		13⅓ %
		<u>100%</u>

Pursuant to the joint exploration agreement related to exploration projects under-

taken subsequent to January 1, 1972 referred to above, the following projects were carried out:—

Joint Exploration by the Conwest Group (Projects initiated before January 1, 1973)

Conwest	53⅓ %
Central Pat	13⅓ %
Chimo	20%
Calmor	13⅓ %

Vermont, U.S.A.

A programme of geochemical and geophysical reconnaissance was carried out during 1972 by Prospecting Geophysics Limited on behalf of Conwest. Options to purchase were acquired during 1973 on three properties. Diamond drilling carried out since the year end to test geochemical and geophysical anomalies intersected copper sulphides below ore grade.

Montana, U.S.A.

Geophysical surveys and diamond drilling were carried out on the Alta Mine property in Montana. This work failed to find any extensions of the silver-lead-zinc orebodies which were mined previous to 1900.

New Hampshire, U.S.A.

The Conwest Group and others supported a programme of geochemical reconnaissance carried out by Prospecting Geophysics. The results were disappointing and no follow-up is planned.

Joint Exploration by the Conwest Group (Projects initiated subsequent to January 1, 1973)

Conwest	66⅔ %
Chimo	20%
Calmor	13⅓ %

British Columbia

Drifting and underground diamond drilling were carried out on claims optioned from Kennco Exploration (Western) Limited to evaluate a quartz vein carrying good grade silver-gold values in surface exposures. The gold and silver did not persist to depth and the option was surrendered.

The Conwest Group and two partners continued support of a prospecting syndicate in British Columbia managed by Messrs. Bacon and Crowhurst of Vancouver. The syndicate participated to the extent of 50% in the percussion drilling of a porphyry copper prospect in the Babine Lake area of

B.C. Some very low grade copper inter-sections were obtained and Conwest terminated its participation in the exploration of this prospect. The syndicate also continued its prospecting programme in 1973 and early in 1974 drilled one target with negative results. The syndicate's prospecting programme in B.C. has been terminated.

Yukon Territory

The Conwest group optioned 301 claims adjacent to claims staked by Barrier Reef Resources Limited in the Bonnet Plume area. The Barrier Reef claims contain impressive zinc mineralization in porous carbonate rocks. A programme of prospecting and geological mapping will be carried out on the Conwest Group claims this summer.

Northwest Territories

Geological mapping, prospecting and trenching of mineral claims in the Godlin Lake area was not encouraging and the project was abandoned.

In the area of the Territories south of Bathurst Inlet, Dr. Stuart Roscoe carried out geological reconnaissance and prospecting on behalf of the Conwest Group and another exploration company. A group of 160 claims has been staked to cover a series of gossans which warrant more detailed investigation. Dr. Roscoe will explore the gossans and do further prospecting this summer in the same general area.

Other Exploration Activity

In a continuing search for exploration projects, technical data was reviewed, properties examined and geological, geophysical and geochemical reconnaissance was carried out in Canada and the U.S.A.

Since the end of the year, 172 claims were optioned in Lemoine Township in Quebec. These claims are adjacent to claims owned by another company on which a gold-base metal orebody has been discovered. Muscocho Explorations Limited will participate with the Conwest Group in exploration of the claims.

Your Corporation will continue its participation in the Conwest Group exploration on the same basis.

On Behalf of the Board,

M. P. CONNELL,
President.

Toronto, Ontario,
May 29, 1974.

Chimo Gold

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at

(with comparative figures for 1972)

ASSETS

	<u>1973</u>	<u>1972</u> (Note 1)
Current Assets		
Cash.....	\$ 102,066	\$ 124,852
Royalty receivable.....	76,400	61,800
Accounts receivable.....	5,586	4,519
	<u>184,052</u>	<u>191,171</u>
Investment in mining companies and properties (Notes 1 to 4)		
Shares with a quoted market value (1973 — \$919,750; 1972 — \$598,500).....	320,737	238,038
Units of The Iron Bay Trust at cost less accumulated amortization of \$56,837 (1972 — \$44,485), quoted market value (1973 — \$3,800,000; 1972 — \$3,650,000).....	298,055	310,407
Other shares, at cost.....	259,740	259,740
Mining properties together with expenditures thereon, at cost....	548,848	504,897
Machinery and equipment, at estimated realizable value	37,912	37,912
	<u>1,465,292</u>	<u>1,350,994</u>
Fixed Assets, at cost less accumulated depreciation.....	<u>—</u>	<u>3,569</u>
	<u><u>\$1,649,344</u></u>	<u><u>\$1,545,734</u></u>

AUDITORS

To The Shareholders
Chimo Gold Mines Limited

We have examined the balance sheet of Chimo Gold Mines Limited as at December 31, 1973 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Ontario
May 17, 1974

Mines Limited

(Incorporated under the laws of Ontario)

December 31, 1973

(as at December 31, 1972)

LIABILITIES

	<u>1973</u>	<u>1972</u> (Note 1)
Current liabilities		
Accounts payable and accrued liabilities.....	\$ 49,120	\$ 27,377

SHAREHOLDERS' EQUITY

Capital stock		
Authorized		
5,000,000 shares, par value \$1 each		
Issued		
3,371,086 shares.....	3,371,086	3,371,086
Less — discount.....	1,212,167	1,212,167
	<u>2,158,919</u>	<u>2,158,919</u>
Less — cost of shares held by Calmor Iron Bay Mines Limited (Note 2).....	170,136	170,136
	<u>1,988,783</u>	<u>1,988,783</u>
Deficit	388,559	470,426
	<u>1,600,224</u>	<u>1,518,357</u>
 On behalf of the Board:		
M. P. CONNELL, Director.		
A. C. MOSHER, Director.		
	<u>\$1,649,344</u>	<u>\$1,545,734</u>

REPORT

In our opinion these financial statements present fairly the financial position of the corporation as at December 31, 1973 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting policies referred to in Note 1.

RIDDELL, STEAD & CO.
Chartered Accountants

Chimo Gold Mines Limited

STATEMENT OF INCOME

For the Year ended December 31, 1973
(with comparative figures for the year 1972)

	<u>1973</u>	<u>1972</u> (Note 1)
Income from investments		
Royalties.....	\$281,700	\$244,600
Dividends and interest.....	5,776	12,676
Gain on sale of investments.....	<u>123,280</u>	<u>63,038</u>
	<u>410,756</u>	<u>320,314</u>
Expense		
General exploration and administrative together with the cost of current and prior years' direct exploration and development expenditures on mining claims and properties which were abandoned during the year (Note 1).....	299,583	173,488
Corporate.....	8,804	6,276
Depreciation.....	1,909	5,484
Amortization of investment in The Iron Bay Trust (Note 1).....	<u>12,352</u>	<u>11,278</u>
	<u>322,648</u>	<u>196,526</u>
Income before undernoted item.....	88,108	123,788
Share of earnings (loss) of Calmor Iron Bay Mines Limited (Note 1)	<u>(6,241)</u>	<u>16,792</u>
Net income.....	\$ 81,867	\$140,580
Earnings per share.....	\$.026	\$.044

Chimo Gold Mines Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year ended December 31, 1973
(with comparative figures for the year 1972)

	<u>1973</u>	<u>1972</u> (Note 1)
Source of funds		
Investment income.....	\$410,756	\$320,314
Application of funds		
Expended upon exploration and development of mining claims including general exploration and administrative costs.....	<u>350,674</u>	<u>260,418</u>
Excess of investment income over net funds applied to mining exploration and development	<u>60,082</u>	<u>59,896</u>
Portfolio investment transactions		
Cost of investments purchased.....	435,366	139,592
Cost of investments sold.....	<u>346,426</u>	<u>53,743</u>
Investment funds transferred from working capital.....	<u>(88,940)</u>	<u>(85,849)</u>
Net decrease in working capital.....	28,862	25,953
Working capital at beginning of year.....	<u>163,794</u>	<u>189,747</u>
Working capital at end of year	<u>\$134,932</u>	<u>\$163,794</u>

Chimo Gold Mines Limited

STATEMENT OF DEFICIT

For the Year ended December 31, 1973
(with comparative figures for the year 1972)

	<u>1973</u>	<u>1972</u> (Note 1)
Deficit at beginning of year		
As previously reported.....	\$475,657	\$610,723
Adjustment to reflect investment in Calmor Iron Bay Mines Limited at underlying equity value (Note 1).....	(49,716)	(32,924)
Adjustment to reflect amortization of investment in The Iron Bay Trust (Note 1).....	<u>44,485</u>	<u>33,207</u>
As restated.....	<u>470,426</u>	<u>611,006</u>
Net income for the year.....	<u>81,867</u>	<u>140,580</u>
Deficit at end of year.....	<u><u>\$388,559</u></u>	<u><u>\$470,426</u></u>

Chimo Gold Mines Limited

NOTES TO 1973 FINANCIAL STATEMENTS

1. Accounting Policies

Exploration and Development and Property Acquisition Costs

The corporation's policy is to write-off all general exploration expenditures as incurred and to capitalize the direct cost of acquisition and expenditures on mining properties which were in good standing at the year end. Upon disposal or abandonment of such interest the net gain or loss is reflected in the statement of income.

Investment in Calmor Iron Bay Mines Limited

In 1973 the corporation adopted, with retroactive effect, the equity method of accounting for its investment in Calmor. Under this method the investment is carried on the balance sheet at cost plus the corporation's share of undistributed earnings or losses of Calmor.

Investment in The Iron Bay Trust

The Iron Bay Trust owns an 80% interest in a producing mining property which is leased to The Steel Company of Canada, Limited until April 30, 2040. The corporation has a 39.1% interest in the Trust, represented by 1,000,000 trust units. In 1973 the corporation adopted, with retroactive effect, the policy of amortizing its investment in the Trust on a unit of production basis based on total estimated production.

2. Shares with a Quoted Market Value

	At Equity Value (Note 1)	Number of Shares	Percentage Ownership	Carrying Value	Quoted Market Value
Calmor Iron Bay Mines Limited...		1,000,000	39.1 %	\$118,447 (a)	\$600,000
At Cost					
Other.....				202,290	319,750
				<u>\$320,737</u>	<u>\$919,750</u>

(a) Calmor holds 500,000 shares of the corporation at a cost to it of \$435,130. Accordingly, the carrying value of Calmor has been reduced by \$170,136 which represents the corporation's interest (39.1%) in this asset of Calmor. The \$170,136 has been shown as a reduction of shareholders' equity.

3. Other Shares, at cost

	No. of Shares	% of Outstanding Capital	Cost
Lake Osu Mines Limited.....	831,500	22 %	\$196,155
Uranium Ridge Mines Limited.....	532,655	21 %	63,585
			<u>\$259,740</u>

4. Mining Properties Together with Expenditures thereon

Balance at beginning of year.....	\$504,897
Prior years' expenditures charged to operations.....	78,231
	<u>426,666</u>
Current year's expenditures capitalized.....	122,182
Balance at end of year.....	<u>\$548,848</u>

5. Income Taxes

No provision for income taxes was required in prior years as the corporation's royalty income was exempt from tax for the three year period which ended November 30, 1972. In 1973 the corporation has claimed available exploration and property acquisition expenditures to eliminate otherwise taxable income, and as at December 31, 1973 expenditures remain to be carried forward (subject to assessment by taxation authorities) and applied against future taxable income amounted to approximately \$2,000,000.

6. Executive Remuneration

No remuneration was paid to the directors and senior officers (as defined by The Business Corporations Act, 1970) in 1973.

Chimo Gold Mines Limited

INFORMATION CIRCULAR

Solicitation of Proxies

This statement is furnished by the management of Chimo Gold Mines Limited, hereinafter called the "Corporation", in connection with the solicitation of proxies for use at the Annual Meeting of the Shareholders of the Corporation to be held on Thursday, June 20, 1974, at the Tudor Room, Royal York Hotel, 100 Front Street West, Toronto, Ontario, at 2:30 o'clock in the afternoon (Toronto time), for the purpose set out in the accompanying notice of meeting.

Solicitation is being made by mail, which may be supplemented by telephone or other personal contact, to be made without special compensation by officers and employees of the Corporation. The Corporation will bear all expenses in connection with the solicitation of proxies but the Corporation will not reimburse shareholders, nominees or agents for any costs incurred in obtaining from their principals instruments of proxy or authorization to execute such proxies.

IN THE EVENT OF YOUR NOT BEING PRESENT AT THE ANNUAL MEETING, THE MANAGEMENT OF THE CORPORATION SOLICITS YOUR PROXY AND YOU ARE REQUESTED TO FILL IN, DATE, SIGN AND RETURN THE ENCLOSED INSTRUMENT OF PROXY.

The shares represented by such proxy will be voted at the meeting and, where a choice with respect to any matter to be acted upon has been specified in the proxy, the shares, subject to The Business Corporations Act, 1970, of the Province of Ontario, will be voted in accordance with the specification so made. WHERE NO CHOICE IS SPECIFIED WITH RESPECT TO ANY MATTER, THE SHARES SO REPRESENTED WILL BE VOTED IN FAVOUR OF SUCH MATTER.

Revocability of Proxy

Any proxy given by a registered shareholder may be revoked by notice in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the chairman of the Annual Meeting on the day of the meeting or adjournment thereof which shall be a valid revocation of such proxy, except as to any matter in which a vote may already have been cast pursuant to the authority conferred by such proxy.

Voting Shares and Principal Holders Thereof

As of May 29, 1974, the authorized capital of the Corporation is 5,000,000 shares with a par value of \$1 each, all of which carry one vote, and of which 3,371,086 shares are issued and outstanding as fully paid and non-assessable. Only shareholders of record on June 20, 1974, the date of the Annual Meeting, are entitled to vote thereat. The registered holders of all issued shares are entitled at the Annual Meeting to one vote for each share held.

To the knowledge of the directors and senior officers of the Corporation, the following are the only shareholders beneficially owning, directly or indirectly, 10% or more of the issued and outstanding shares of the Corporation.

<u>Name</u>	<u>Approximate Number of Shares of Beneficially Owned</u>	<u>Percentage of Outstanding Shares</u>
Calmor Iron Bay Mines Limited	500,000	14.8
Central Patricia Gold Mines, Limited	933,900	27.7

To the knowledge of the directors and officers of the Corporation, the following nominee together with associates as defined in Section 1.(1)3. of The Business Corporations Act, 1970, of the Province of Ontario, hold 10% or more of the issued and outstanding shares of the Corporation.

M. P. Connell 1

Associates:

Central Patricia Gold Mines, Limited 933,900

933,901

Election of Directors

The board of directors consists of five directors who are elected at the Annual Meeting to serve until the next Annual Meeting or until their successors are elected or appointed. It is intended to vote the shares represented by the proxies received pursuant to this solicitation by management for the election of the five nominees who are listed below. In the event that any vacancy occurs in the slate of nominees submitted herewith, which is not anticipated, it is intended that the persons named in the accompanying instrument of proxy reserve the right to vote for another person of their choice in place of the nominee who is unable to serve as a director. The names and pertinent information with respect to each of the nominees for election as directors as reported by each is shown below, including the year in which each nominee first became a director of the Corporation:

<u>Proposed Nominees</u>	<u>Principal Occupation or Employment</u>	<u>Director From</u>	<u>Number of Corporation Shares Beneficially Owned</u>
Martin P. Connell President	Executive Vice-President, Conwest Exploration Company Limited, a mining exploration company	December 13, 1971	1
Charles R. Elliott	President, Conwest Exploration Company Limited	December 13, 1971	1
Ian F. T. Kennedy Vice-President	Vice-President, Conwest Exploration Company Limited	June 28, 1973	1
John C. Lamacraft Treasurer	Treasurer, Conwest Exploration Company Limited	June 28, 1973	1
Alexander C. Mosher	Director, Chimo Gold Mines Limited	March 20, 1958	5,201

Remuneration of Directors and Senior Officers

No remuneration was paid or is payable by the Corporation to directors and officers in respect of the last completed financial year.

Appointment of Auditors

It is proposed that Riddell, Stead & Co., Chartered Accountants, the present auditors, be reappointed as auditors of the Corporation, to hold office until the next Annual Meeting of shareholders at a remuneration

to be fixed by the board of directors of the Corporation. Riddell, Stead & Co. have been the auditors of the Corporation for more than five years.

Other Business

The management of the Corporation is not aware of any matters to be presented for action at the meeting other than those listed in the notice of meeting. However, if other matters properly come before the meeting, it is the intention of the persons named in the accompanying instrument of proxy to vote the said proxies in accordance with their best judgment on such matters.

By Order of the Board of Directors,

D. B. MacDERMOTT,
Secretary.

DATED May 29, 1974.
Toronto, Ontario.

